

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Devon Energy Corporation  
7525 Hwy 2 NW  
P.O. Box 1644  
Havre, MT 59501

Township 25 North, Range 18 East  
Section 16: NW $\frac{1}{4}$   
160.00 Acres  
Blaine County

State Tract  
Section 16: N $\frac{1}{2}$ NW $\frac{1}{4}$   
80.00 Acres  
Common Schools Trust = 100%

Devon Energy Corporation has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

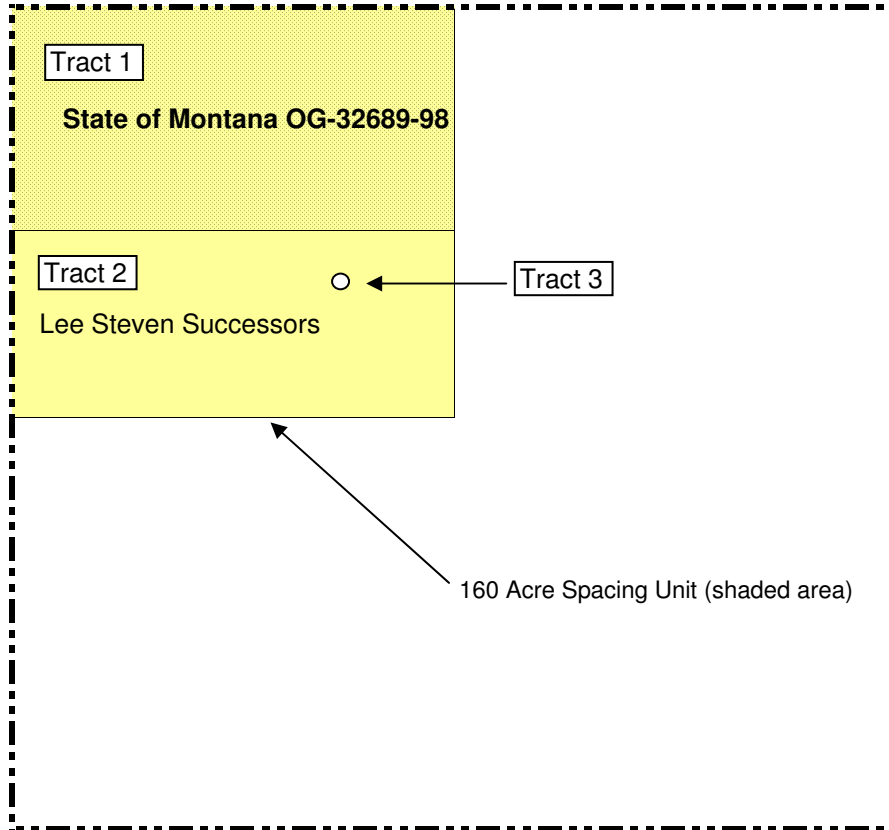
The State 16-5-25-18 well, which is an Eagle Sand formation gas well, was drilled in the SW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 16. This permanent spacing unit has a total of 160.00 acres. The Department has mineral ownership of 80.00 of the 160.00 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The communitization agreement shall include all gas produced from the Eagle Formation within the communitized area.

The Department's tract comprises 50.0% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.25% of all gas production (12.5% royalty rate x 50.0% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 25 North, Range 18 East

## Section 16



### Recapitulation

<i>Tract No.</i>	<i>Type</i>	<i>Acres</i>	<i>Tract Participation</i>	<i>Royalty %</i>	<i>Owners Interest Decimal</i>
1	State of Montana OG-32689-98	80.00	50.0000%	12.50%	0.062500%
2	Lee Stevens Successors	79.00	49.3750%	12.50%	0.061720%
3	Wortman et al	1.00	0.6250%	12.50%	0.078125%
Totals		160.00	100.00%		

